

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 L-02 /045 W
----- 006345

R 031016Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 343

INFO AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

C O N F I D E N T I A L MANILA 1501

DEPT PASS USDA

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACTS

REF: (A) STATE 19644; (B) MANILA 1344

1. TAKING ADVANTAGE OF VISIT DEPUTY ASST SEC EDMOND, COTTON CONTRACT PROBLEM RAISED JAN 31 AND FEB 1 DURING SEPARATE CALLS ON FINSEC VIRATA, NEDA DIRGEN SICAT, DFA UNDERSECRETARY COLLANTES AND CENTRAL BANK DEPUTY GOVERNOR ITCHON. DEPTH OF USG AND PRIVATE TRADE CONCERN EXPLAINED AND RANGE OF POSSIBLE REACTIONS NOW BEING CONSIDERED WAS VARIOUSLY TOUCHED UPON. PROGRESS BEING MADE TOWARD RESOLVING PROBLEM IN KOREA AND TAIWAN WAS REVIEWED. FINALLY, GREAT STRESS WAS PLACED ON THE URGENT NEED FOR GOP TO COME FORWARD WITH THE PROPOSALS FOR SOLVING THE PROBLEM AS PROMISED BY DBP CHAIRMAN VIRATA DURING THE RECENT VISIT OF DEPUTY AGRICULTURE SECRETARY YEUTTER.

2. MOST SIGNIFICANT NEW REACTIONS FROM GOP WERE ELICITED FROM FINSEC VIRATA, WHO SAID HE RECENTLY HAD DISCUSSED
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PROBLEM BRIEFLY WITH UNDERSECRETARY ROBINSON (AS REPORTED

STATE 15443). VIARATA REPORTED THAT IN THAT TALK HE HAD ASKED WHETHER IT WOULD BE POSSIBLE TO LENGTHEN CCC REPAYMENT TERM, AND HE WONDERED WHAT TERMS WERE BEING EXTENDED IN NEW CCC LINES BEING OFFERED TO KOREA AND TAIWAN. ECON/COMMERCIAL COUNSELOR TOLD VIRATA THAT THE LENGTH OF CCC REPAYMENT PERIODS WAS A MATTER OF GENERAL POLICY, BUT AT TIMES IN THE PAST THERE HAD BEEN SOME FLEXIBILITY IN SPACING PAYMENTS WITHIN THE REPAYMENT PERIOD.

3. VIRATA SAID MAJOR PROBLEMS FOR TEXTILE MILLS RELATED TO CURRENT DEMAND SLOWDOWNS AND HIGH INVENTORY POSITIONS ON BOTH PRODUCTS AND RAW COTTON. MAIN FEATURES OF ANY SOLUTION WOULD HAVE TO DEAL, THEREFORE, WITH CASH FLOW AND CREDIT SQUEEZES OVER THE NEAR TERM. THIS SUGGESTED, ALTHOUGH IT WAS NOT, REPEAT NOT DISCUSSED WITH VIRATA, THAT A BALLOON REPAYMENT SCHEDULE MIGHT HAVE CONSIDERABLE APPEAL IF OFFERED AT THE RIGHT MOMENT.

4. ACTION REQUESTED. EMBASSY WOULD APPRECIATE AN OUTLINE OF CURRENT CCC LENDING POLICY FOR USE IN BRIEFING FINSEC VIRATA AND OTHERS AS NEEDED. WE APPRECIATE POSSIBLE ADVANTAGES OF CONFIDENTIAL COUNTRY BY COUNTRY NEGOTIATIONS, BUT BELIEVE MORE CANDOR NECESSARY IF WE ARE TO HOPE FOR REASONABLY QUICK RESULTS. IF WE ARE TO MOVE TOWARD A SOLUTION HERE, BELIEVE NOW WOULD BE GOOD TIME TO OFFER SOME RELIEF SUCH AS BALLOON REPAYMENT OF CCC CREDITS OR PERHAPS ADDITIONAL CREDITS.

SULLIVAN

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